

Examining and Evaluating Front-Line Employees'

Service Recovery Competency

at The ABC Restaurant

and Lounge

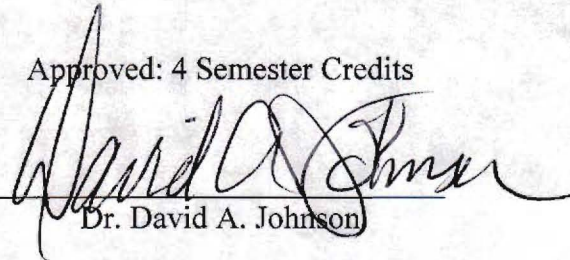
By

Chih-Lung Lan

A Research Paper
Submitted in Partial Fulfillment of the
Requirements for the
Master of Science Degree
In

Training and Development

Approved: 4 Semester Credits

A handwritten signature in black ink, appearing to read "David A. Johnson", is written over a horizontal line.

Dr. David A. Johnson

The Graduate School

University of Wisconsin-Stout

April 2008

**The Graduate School
University of Wisconsin – Stout
Menomonie, Wisconsin**

Author: Lan, Chih-Lung

**Title: *Examining and Evaluating Front-Line Employees' Service Recovery Competency At
The ABC Restaurant & Lounge***

Graduate Degree / Major: M.S. Degree in Training and Development

Research advisor: David A. Johnson, PhD

Month / Year: May, 2008

Number of Page: 39

Study Manual Used: American Psychological Association, 5th Edition

ABSTRACT

Due to the lack of understanding about service recovery, the purpose of this study is to raise the awareness of service recovery perspectives in any service-related industry such as The ABC Restaurant and Lounge. For company privacy and security reasons, this research subject will be referred as The ABC Restaurant and Lounge.

The ABC Restaurant and Lounge is a resort-owned restaurant in Door County, WI and employs 20 to 25 regular and seasonal employees. In order to help the company understand the importance of service recovery, the researcher in this study has gathered information regarding service recovery and quality management topics, journal articles, and survey results to encourage The ABC Restaurant and Lounge to emphasize service recovery processes within their company's service training.

The Graduate School
University of Wisconsin Stout

Menomonie, WI

Acknowledgments

There are some individuals I would like to thank for their encouragement and supporting throughout the processes of this research papers. First, I want to thank my advisor Dr. David A. Johnson for the inspiration and enthusiasm of his teaching and for helping graduate students like me. Dr. Johnson has spent an extraordinary amount of time advising and encouraging me during this research. Without his advice, I would not have been able to complete this study. Second, I want to thank my wife, Miki Nomura, for supporting and understanding me during my graduate studies. Third, I want thank Dr. Kat Lui for directing and encouraging me throughout this graduate study in Training and Development. Of course, I want to also give thanks to all the staff of The ABC Restaurant and Lounge for their contribution and participation in this study. In addition, I also thank my friends, family, and instructors at UW-Stout. Without all the support from them, I could not have completed this study.

TABLE OF CONTENTS

ABSTRACT.....	i
List of Figures.....	vii
Chapter I: Introduction.....	1
<i>Research Background</i>	1
<i>Problem Statement</i>	2
<i>Research Objectives</i>	3
<i>Limitation of Study</i>	3
<i>Definitions of Terms</i>	3
Chapter II: Literature Review	5
<i>Introduction</i>	5
<i>Perspectives of Total Quality Management (Getting it right the First Time)</i>	5
<i>Continuous Improvement (Deming's 14 points)</i>	6
<i>Perspectives of Service Recovery (Getting it right the Second Time)</i>	6
<i>Need for Service Recovery</i>	8
<i>Service Recovery and Profit</i>	10
<i>Approaches of Effective Service Recovery</i>	10
<i>Measurement of Service Recovery Satisfaction</i>	11
<i>Management of Service Recovery Effort</i>	12
<i>Hiring</i>	12
<i>Training</i>	12
<i>Empowering</i>	13
<i>Establish Performance Standard</i>	15

<i>Service Recovery Guidelines</i>	15
<i>Motivation and Rewards</i>	15
<i>Successful Examples of Service Recovery</i>	16
<i>Summary</i>	17
Chapter III: Methodology	18
<i>Population</i>	18
<i>Instrumentation</i>	18
<i>Survey Distributions Processes</i>	18
<i>Data Collection</i>	19
<i>Data Analysis</i>	19
Chapter IV: Finding and Survey Results	20
<i>Introduction</i>	20
<i>Survey Results and Interpretations</i>	20
<i>Service Recovery System (Question 1 ~ 4)</i>	21
<i>Customer Service Skills (Question 5 ~ 10)</i>	22
<i>Role Modeling, Reward and Punishment (Question 11 ~ 15)</i>	24
<i>Training System (Question 16 ~ 18)</i>	26
<i>Customer Feedback System (Question 19 ~ 21)</i>	28
Chapter V: Summary, Conclusion, and Recommendations	30
<i>Summary</i>	30
<i>Conclusion</i>	30
<i>Recommendations</i>	31
References	33

Appendix I: Human Subject Consent Page.....	36
Appendix II: Service Recovery Survey	37

List of Figures

Figure 1	Assisting Customer.....	21
Figure 2	Management Supports.....	21
Figure 3	Ease Guideline.....	21
Figure 4	Policies.....	22
Figure 5	Problem Solving.....	22
Figure 6	Commitment.....	23
Figure 7	Recovery Skills.....	23
Figure 8	Satisfaction Assurance.....	23
Figure 9	Everyone's Job.....	24
Figure 10	Service Recheck.....	24
Figure 11	Role Modeling.....	24
Figure 12	Company Growth.....	25
Figure 13	Making Mistake.....	25
Figure 14	Punishments.....	25
Figure 15	Reward.....	26
Figure 16	Train Newly Hire.....	26
Figure 17	Job Change Training.....	27
Figure 18	Service Recovery Training.....	27
Figure 19	Standard Time.....	28
Figure 20	Data Collection.....	28

Chapter 1

Introduction

Research Background

Door County, Wisconsin is a popular destination for seasonal visitors from the Green Bay area, Milwaukee, and Chicago areas. Door County's 300 plus miles of shoreline, five state parks, seventeen county parks, and year round activities offer the chance to relax and unwind. Throughout the changing seasons, each of the towns and villages offers something for everyone.

The ABC Restaurant and Lounge is a resort-owned restaurant in Door County, and employs 20 to 25 regular and seasonal employees. This restaurant and lounge offers a casual, contemporary menu filled with culinary delights. As part of the resort property, the restaurant is designed and equipped to handle weddings, banquets or special family gatherings as well as cater to resort guests for breakfast, lunch or dinner. In addition, the elegant setting for the restaurant overlooks the waters of Lake Michigan's Green Bay. Entertainment is provided in the cocktail lounge on a seasonal basis.

In service firms such as The ABC Restaurant and Lounge, service failure is commonplace and is frequently considered an inevitable consequence of service provision (Lewis & Clacher, 2001). Therefore, no matter how well the service operation system that The ABC Restaurant and Lounge has already implemented works, it will have service failures from time to time. Also, because frontline service employees (i.e., waiter, waitress, and bartender) have direct contact with their customers, service can go wrong sometimes and customers can be disappointed, frustrated, annoyed, and angry. Once customers notice that service does not meet their expectation, they will complain to

either frontline employees or restaurant managers.

Service recovery is one of the most crucial elements within the study of customer service and there are reasons for focusing service recovery efforts on front-line employees. Service recovery means bringing customers back to your business. A study found that sixty-five percent of customer complaints are initiated with front-line employees. Obviously, the ability of front-line employees to provide strong service recovery greatly affects customer loyalty (Brown, 2000, p.8). Furthermore, one study shows that sixty percents of customers whose complaints were satisfactorily solved will return and ninety-five percent of customers whose complaints were solved quickly to their satisfaction will become loyal customers (Ely, 2007, p1).

When complaints are not addressed in a timely manner by the front-line employees, The ABC restaurant and lounge lose current and potential customers to other restaurants in the Door County area. Furthermore, the success of service recovery depends on the competency of service recovery skills that front-line service employees have learned during the training program at The ABC Restaurant and Lounge.

Strength of the service recovery effort is believed to be very important in dealing with most inevitable service failures and bringing customer satisfaction back to The ABC Restaurant and Lounge.

Problem Statement

Service recovery is an essential skill for handling service failures. However, employees at The ABC Restaurant and Lounge do not receive formal training regarding the importance of service recovery.

Research Objectives

Two primary objectives of this study are shown below:

1. Identifying front-line employees' competence of service recovering skills at The ABC Restaurant and Lounge.
2. Developing service recovery training recommendations and guidelines for The ABC Restaurant and Lounge.

Limitations of Study

1. This study is limited by its sample size. Study was done only at this particular restaurant and it might not be appropriate for all restaurant populations in the United States.
2. Some seasonal employees might affect the results of this study.
3. There are limited resources for this study.

Definition of Terms

1. Continuous Improvement: Refers to both incremental changes, which are small and gradual, and breakthrough, or large and rapid, improvements (Evans & Lindsay, 2006, p.21).
2. Customer contact: A measure of the physical presence of the customer in the system as a percentage of the total service time (Fitzsimmons, J.A. & Fitzsimmons, M.J., 2004, p.88)
3. Customer Delight: When expectations are exceeded and customers receive an unanticipated benefit, service is perceived to be of exceptional quality and as such, delights the customer.

4. Empowerment: Providing personnel with the training and information to make decisions without close supervision (Fitzsimmons, J.A. & Fitzsimmons, M.J., 2004, p.101.)
5. RECOVSAT: An instrument purported to measure satisfaction with service recovery. (Boshoff & Staude, June 2003, p.9.).
6. Satisfaction: Satisfaction is the customers' fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment (Evans & Lindsay, 2006, p.86).
7. Service Recovery: Converting a previously dissatisfied customer into a loyal customer. (Fitzsimmons, J.A. & Fitzsimmons, M.J., 2004, p.153.)
8. Total Quality Management (TQM): Integration of all functions and processes within an organization in order to achieve continuous improvement of the quality of goods and services. The goal is customer delight (Ross, 1995, p.1)
9. Word-of-mouth: Passing information by verbal means, especially recommendations, but also general information, in an informal, person-to-person manner, rather than by mass media, advertising, organized publication, or traditional marketing. Word of mouth is typically considered spoken communication (http://en.wikipedia.org/wiki/Word_of_mouth).

Chapter 2

Review of Literature

Introduction

This review of literature will discuss Total Quality Management (TQM) principles of getting it right the first time and the Service Recovery perspectives of doing things right the second time. It will also review the trends and needs for service recovery, service recovery and profits, and approaches to service recovery efforts, measurements of service recovery satisfaction, and management of service recovery efforts.

Getting it right the First time: Perspectives of Total Quality Management (TQM)

Dr. W. Edwards Deming's principles of continuous improvement; statistical analysis, and "doing it right the first time" underline the concept of Total Quality Management (TQM). The main concept within TQM is eliminating problems or waste by constantly improving the quality of services and products. The culture of TQM requires quality not only in results, but in processes as well. The objective of TQM is: "Do the right things, right the first time, every time." Doing it right the first time will eliminate product defects and waste from the entire process

(<http://www.isixsigma.com/library/content/c031008a.asp>).

The primary rule of quality service is to do it right the first time. Because customers get what they expect, the cost of redoing and the cost of recovering service and compensating for service failure can be avoided (Zeithaml & Bitner, 2003, p.198).

Although the idea of TQM originated in the manufacturing sector, it can be applied to any type of organization such as medical, education, hospitality, etc. However, introducing and implementing TQM has not been widely used in the service recovery

environment.

In the service sector, TQM focuses an organization on improving the quality of products and the quality of services through ongoing refinements in response to continuous feedback. Because TQM in the service sector is both quality-focused and customer-focused, service failures/problems are seen as opportunities for continuous improvement.

Deming's 14 points in TQM: Continuous Improvement

In a TQM working environment, individuals are constantly working together on improving quality. The concept of customer satisfaction is considered not good enough; rather, the goal is delight. One of Dr. W. Edward Deming's 14 points: quality point number five: "Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs" (Deming, 2000, p.23) indicates quality improvement should never stop. In the service industries, the customer's needs must be addressed because customer's expectations are constantly changing. Continuous improvements are necessary for helping any service organization adopt better services and products, thereby delighting customers. (Ross, 1995, p.5)

Getting it right the Second time: Perspectives of Service Recovery

Service recovery originated at British Airways and the central theme was "Putting the Customer First." In the late 1990's, several writers gave more serious concern to recovering from service failure. Results of those studies found that an effective response to service failure will affect the organization's long-term success (Johnston & Fern, 1999, p.70). However, service recovery is not a new concept. Studies of service recovery were done decades ago. For instance, in the banking industry, service recovery increased the

effectiveness of keeping their customers from closing their accounts and moving elsewhere. Only recently, have many service providers recognized the significance of service recovery. Indeed, it is important to address the commonality of service failure and thus implement effective service recovery strategies in both the world of work and the world of education (Lewis & Clacher, 2001, p.6). The definition of terms (p.6.) defines service recovery as converting a previously dissatisfied customer into a loyal customer (Fitzsimmons, J.A. & Fitzsimmons, M.J., 2004, p.153). But what exactly is service recovery?

Service recovery is series of actions from apologizing, taking responsibility, and giving customers something of value as a way of retaining customers and ultimately creating customer loyalty (Tschohl, 2005). Service recovery is also a systematic effort that is strategically utilized by many services firms for the purpose of bringing aggrieved customers back to a state of satisfaction after a service or a product breakdown (Zemke & Bell, 2000, p.2). Also, service recovery is a series of actions that will attract and retain customers and have a positive impact on the bottom line of any business. Although the definition of service recovery varies from person to person, basically it tells us that service recovery is one of the most important elements for maintaining a good a relationship between customers and providers in any type of business operation.

In addition, service recovery is a series of processes of empowering employees to immediately solve a problem by offering something of value or non-value to annoyed customers after service failures. Within the service recovery process, all the actions are taken to return a disappointed customer back to a state of satisfaction. Although most recovery processes will require monetary compensation, some evidence indicates that

expenses incurred to accomplish this are minimal when compared with the possible adverse word-of-mouth effects. (Fitzsimmons, J.A. & Fitzsimmons, M.J., 2004, p.153).

Needs for Service Recovery

Business is about winning and keeping customers. Most service firms do a great job of winning customers but many service firms fail to properly care for customers, particularly after a service failure. Today, customers are watching and judging how organizations manage problems and mistakes. Service firms must act quickly and effectively to resolve or make amends for problem or mistakes.

Also, competition within the service industry is high; customers now have more choice and higher expectation than in the past. Customers who experience poor service may leave their current service provider and move elsewhere. Such customer turnovers will cost an organization more money than looking for new customers. As a consequence, service recovery becomes critical to any organization's efforts to satisfy and keep customers.

While many service firms are frequently exhorted to strive towards zero defects and they invest large amount of money on improving their service quality, in practice, it is often difficult to imagine how service providers can attain such a goal (Klaus & Ennew, 2005, pp. 261). Boshoff (1997) said, "Mistakes are an unavoidable feature of all human endeavor and thus also of service delivery" (p.110). Every service business creates mistakes or problems when delivering services or products to their customers.

Also, because services are often produced in the presence of both service providers and service receivers, certain failures can't be hidden (Boshoff & Staude, 2003, p.9). In high customer-contact service sectors such as hospitality and tourism, the

occurrence of service failure is relatively high. Therefore, if failure can't be eliminated during service delivery, then understanding the processes of service recovery and the way in which customers respond can be of considerable value in managing organizational performance.

Most customers never communicate with the business after purchasing goods or services. In fact, the average business only hears from four percent of its customers who are dissatisfied with the product or service. About sixty percent of dissatisfied customers would stay as customers if their problems were resolved and ninety-five percent of them would stay if the problems were resolved quickly. In addition, dissatisfied customers will tell ten to twenty potential customers about their dissatisfied experiences. Although finding and attracting new customers is critical to marketing research, retaining current customers is equally important (Fitzsimmons, J.A. & Fitzsimmons, M.J., 2004, p.153).

Service recovery is also important to manufacturing firms. For instance: Saturn, an automobile manufacturing company, takes an important step to satisfy their customers when facing the need to repair a problem on any one of its 350,000 vehicles. Saturn's vice president of service and marketing, Joseph Kennedy said: "To fix both the car and the customer, we want Saturn to be a 100-year car company" (Tax & Brown, 1998, p.75). According to Saturn's example, service recovery is an important strategy to maintain and develop a better relationship with customers when dealing with problems. Therefore, there is no doubt that service recovery is becoming more important in effective management.

Service Recovery and Profit

The impact of service recovery isn't good just for customers; it's profitable for service firms. Any firm can affect profits through implementing a service recovery strategy. According to an article written by Tax & Brown (1998, p.75), Hampton Inn Hotels reaped \$11 million in additional revenues from its service guarantee implementation and scored the industry's highest customer retention rate. Indeed, this successful example indicated that the investment of service recovery has a great impact on a service firm's profit.

Approaches of Effective Service Recovery

The literature shows various service recovery strategies but the two most commonly used are Zemke & Bell's (2000) six-step approach and Friedman's (2002) seven step method:

Zemke and Bell's six-step approach to service recovery

When handling service or product failures successfully, customer-contact/front line workers must follow a six-step process (Zemke & Bell, 2000, p.39):

1. Acknowledge that the customer has been inconvenienced and apologize for it.
2. Listen, empathize, and ask open-ended questions.
3. Offer a fair fix to the problem.
4. Offer some value-added atonement for the inconvenience/injury.
5. Keep your promises
6. Follow-up

Friedman's seven-step approach to Service Recovery

In order to successfully execute service recovery processes, Friedman recommends seven must-know service recovery steps for front-line employees:

1. It is your responsibility.
2. "I'm sorry" does work.
3. Empathize immediately.
4. Immediate action is necessary to make a service recovery.
5. Ask what would make them happy.
6. Understand the true meaning of service recovery.
7. Follow up.

Measurement of service recovery satisfaction

The developer of RECOVSAT, Boshoff, states that six dimensions make up the construct of service recovery satisfaction, and that customer satisfaction with a firm's service recovery effort should be measured on these dimensions (Boshoff & Staude, June 2003, p.10):

1. Atonement
2. Communication
3. Feedback
4. Empowering employees
5. Tangible
6. Explanation

Management of service recovery efforts

Although service firms, like The ABC restaurant and lounge, understand the benefit of service recovery strategies and service recovery approaches, successful service recovery must also focus on human resource management efforts. One research indicates that successful service recovery is highly influenced by the effectiveness of any front-line employee who receives the complaint (Tax & Brown, 1998, p.81).

Hiring: Hire the right individuals for frontline employment

Management in service firms must understand that hiring the right individuals for frontline employment is the initial step to effective service recovery. Rather than hiring someone who is focused only on salary, successful companies should hire individuals who share a positive service philosophy and desire to help people. Zemke and Bell (2000) said, "Great service is a performing art. Hire as if you are casting a part in a play, not filling a job." Great service performers must be able to do these three things well (p.125):

1. Create a relationship with the customer.
2. Handle pressure.
3. Learn new scripts.

Service firms that are hiring individuals with good communication will help execution of service recovery easier and smoother. Therefore, service firms must carefully select of frontline employees during recruiting process.

Training: Train front-line employees

Ritz-Carlton Hotel Co. LLC invests much more time and money in training each new employee than many of its competitors. Employees who qualify after 21 days of

indoctrination will receive 310 hours of training in their first year and 100 hours of training every year after. Training programs include a daily 10-minute "lineup" before the service day begins (Elswick, 2000, p.1).

A service failure can be turned into a service delight; however, it does not happen without training employees in service recovery approaches. Not all frontline employees process good customer service skills; however, they can be trained to acquire those important skills for delivering quality services. If service firms want their frontline employees to execute effective service recovery and delight angry customers, they must see that service recovery training is the first line of defense against defection and "poor word of mouth." Moreover, employees must also be knowledgeable about products and services and be trained to provide the best service possible in order to keep customers coming back (Tschohl, 2005).

In addition, effective service recovery training gives frontline employees an opportunity to develop skills that will help them to defuse anger and quickly regain goodwill with customer. Therefore, management must give frontline employees regular training to help them develop new skills (i.e., technical skills, interpersonal skills) needed for executing successful service recovery. Training frontline employees on service recovery strategies will also help them to quickly restore customer confidence and regain goodwill and maintain customers' loyalty after any service failure.

Empowering: Do whatever it takes to recover failures and needs of managerial Supports

Ritz-Carlton Hotel Co. LLC knows how to empower frontline employees when service problems occur. When there is a problem, Ritz-Carlton employees are empowered by management to recover problems for up to \$2,000. Also, training

programs at Ritz-Carlton frequently emphasize interpersonal skills, such as conflict resolution. This is important, because when dealing with customer complaints, the employee who receives the complaint is considered to “own” it and must immediately and independently figure out how to solve it (Elswick, 2000, p.1).

Tschohl (2005) said: “Empowerment is the backbone of service recovery.” In recent years, many service firms are starting to know the enormous benefits of employee empowerment programs.

Empowerment offers powerful resources for organizational change, employees’ participation and customer satisfaction. In particular, a study suggests that an employee empowerment approach to service delivery has the potential to remedy problems such as poor customer service and inefficient operations (Bowen & Lawler, 1995). Also, Zemke and Bell (2000) noted: “Creating memorable service recovery can’t happen without empowered front-line employees at the wheel” (p.141).

Management must support employee empowerment by clearly defining the service recovery standard of the empowerment, while remaining flexible within the standards. Management also needs to make sure that front-line employees are empowered to react to service failures without policy or rules constraint. One characteristic of unhappy customers is impatience. Because of this, some unhappy customers will become more angry when those frontline employees are unable to solve their problem immediately (Zemke & Bell, 2000, p.141).

In summary, employee empowerment is essential to any type of business operation. Front-line employees are the primary decision makers when dealing with unhappy customers. In organizations such as Ritz-Carlton, situations occur frequently in

which frontline employees must make decisions on the spot to delight a customer or solve a service problem.

Establishing Performance Standard

One of the greatest barriers to effective service recovery is that service firms usually don't know about service failure until they hear a complaint from a customer. A study shows that only five to ten percent of dissatisfied customers will choose to complain to the service providers following service failures (Tax & Brown, 1998, p.77).

Service Recovery Guidelines

Developing service recovery guidelines that focus on achieving fairness and customer satisfaction is a direct approach to improving performance. One customer-oriented organization that excels at service recovery is the Ritz-Carlton Hotel chain. The Ritz-Carlton Hotel established service recovery guidelines for all employees called "gold standards". These guidelines enabled employees to delight their customers. By using these customer satisfaction standards, Ritz-Carlton won the prestigious Malcolm Baldrige National Quality Award not only once, but twice in 1992 and 1999. (Brown, W. 2000)

Motivation and Rewards: Motivating and Rewarding Front-line Employees

Management measures employees' job satisfaction regularly. Effective service recovery is linked to job satisfaction. All employees must be compensated for good customer service practices, because the higher the employees' job satisfaction, the higher the employees' motivation to practice good service recovery. Therefore, both tangible and intangible rewards should be given to individuals who perform service recovery. Tangible rewards are trips, money, or status. Intangible rewards are praise or acknowledgement.

Example of successful service recovery

Following are three cases showing how some service firms use different kinds of service recovery approaches to retain their customer's satisfaction and loyalties. (Stoller, G, 2005).

Case #1: Spirit Airlines

Barry Biffle, Spirit Airlines' chief marketing officer, said an apology and fixing a problem can be enough to win over a customer. A \$100 voucher or a free meal, he said, won't appease a family of four with two young children who are told that seats aren't available to sit together on a flight. The way to make them happy is to figure out a way to let them sit together, Biffle said any efforts toward service recovery, though, could not have come at a better time for travelers. Many have endured years of reduced airline customer service, flight delays and cancellations, shrinking frequent-flier benefits and the hassles of increased post-Sept. 11 attack security screening. "Travel is not fun anymore," said Knutson.

Case #2: Hilton Garden Inn

At Hilton Garden Inn, Vice President Mark Nogle says the service-recovery program is as important as the frequent-stay program, which hotels have used successfully for decades to ensure repeat customers. Managers are trained to correct a problem before a guest leaves and are empowered to give something to make amends. It could be a free breakfast, a free taxi ride, a deduction off a room bill or, "if someone has truly had a bad experience," a free night's stay, Nogle says.

Case #3: Ritz-Carlton Hotel

The Ritz-Carlton empowers all its employees to settle a customer dispute up to \$2,000 per day. Vice President Diana Oreck says hotel standards are so high and service-recovery training is so rigorous that no employee has ever had to provide a \$2,000 credit.

Summary

In conclusion, good and effective service recovery can turn angry and frustrated customers into loyal ones. It can create more goodwill than if things had gone smoothly in the first place. Tax & Brown (2000) have shown that well-enacted service recovery performance can help in overcoming customer disappointment and anger. Bell (2000) notes that “service recovery works best when a front-line employee apologizes, fixes a problem and offers something of value before an unhappy customer leaves the premises.”

Chapter 3

Methodology

This study will exam the employees' competence of service recovery skills at The ABC restaurant and Lounge. This study will also determine whether employees require specific training for service recovery skills. This chapter will contain information on the population, instrumentation, survey distribution processes, collection of survey data, and analysis of collected data.

Population

Employees at The ABC Restaurant and Lounge will be asked to participate in the survey. Participants are anonymous and voluntary throughout the entire survey processes. The age distribution is between 18 and 65 years.

Instrument

The test instrument for this study is a two-page qualitative survey (see Appendix 1). In the survey, the questions consist of Likert scale questions and Yes/No questions. There are a few open-ended questions that require participants to answer the question in their own words. The Likert scale questions require participants to rate the importance of descriptions within each question. The survey questionnaire will be framed so that every participant will be able to answer questions easily. Most important, all questionnaires will be anonymous throughout the entire survey processes.

Survey Distribution Processes

The survey will be given to all participants in person between May 1, 2007 and July 1, 2007. Before filling out the survey, the researcher will have a short discussion regarding the purposes of this study with all research participants. The General Manager

of The ABC Restaurant and Lounge will be contacted for approval of conducting this research. In order to protect participants' privacy, Human Subject Consent Page (Appendix I) will be provided to all the research participants at The ABC Restaurant and Lounge.

Data Collection

The researcher will collect all completed surveys by the deadline. Then, these surveys will be analyzed by the researcher to identify key findings regarding service recovery. Level of competence regarding service recovery skill will be the major finding throughout this study.

Data Analysis

The data will be analyzed by using SPSS (Statistical Package for the Social Sciences) software and Microsoft Excel software. After analyzing the survey results, interpretation of the data will draw conclusions about the findings of this study. In the next Chapter, survey finding and analysis results will be discussed.

Chapter 4

Finding and Survey Results

Introduction

The purpose of this study was to determine the level of understanding and service recovery activity within a small scale restaurant in the service industry. Competitive advantage exists as organizations take advantage of becoming more knowledgeable on the concept of service recovery processes and the benefits received from doing things right after service failure. The goal is achieving and exceeding customers' expectation through executing good practices of service recovery by front-line service employees.

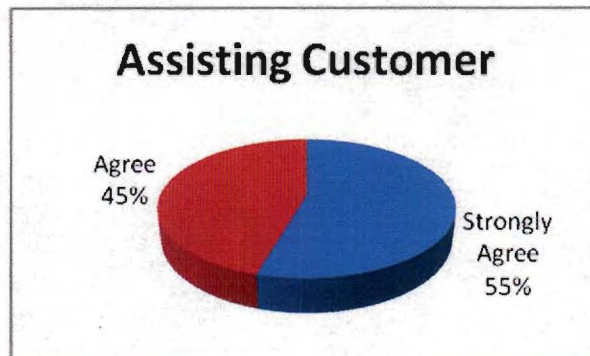
This chapter will provide detailed analysis of the survey instrument. The data were both distributed and collected from May 1, 2007 to July 1, 2007. Over 60% of the surveys were returned from May 14, 2007 through May 21, 2007. Twenty percent responses were received by July 1, 2007. Thirty-Five surveys were handed out by researcher on May 1 and returned by May 21, 2007. The rest of the surveys were received before first request date (May 21, 2007). The remainder of the surveys were received before the second request date (July 1, 2007). A total of eleven out of thirty-five surveys were completed for a 31.42% completion rate.

Survey Results and Interpretations

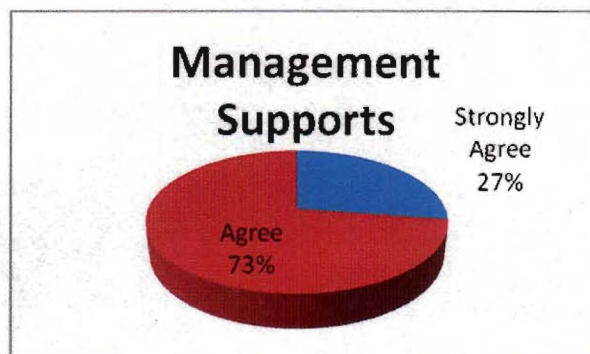
The results will be categorized separately with a brief analysis and interpretation in this section. Additional findings and a brief summary will follow later in this chapter.

Service Recovery System

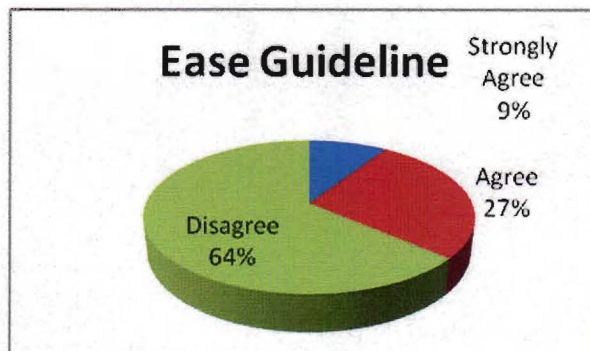
- Question 1: Assisting customers with problems is always the priority.



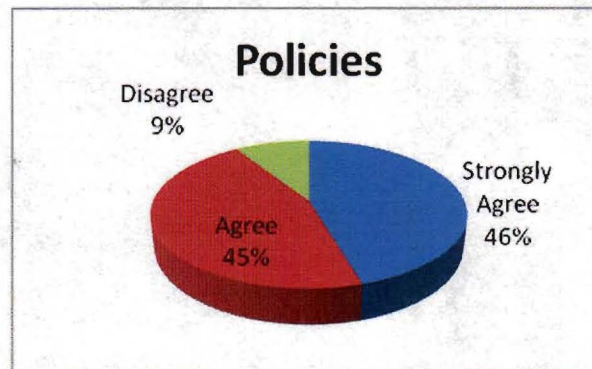
- Question 2: Your direct supervisors are working systematically to help you to assist customers with problems.



- Question 3: When assisting customers with problems, guidelines and procedures are easy to follow.



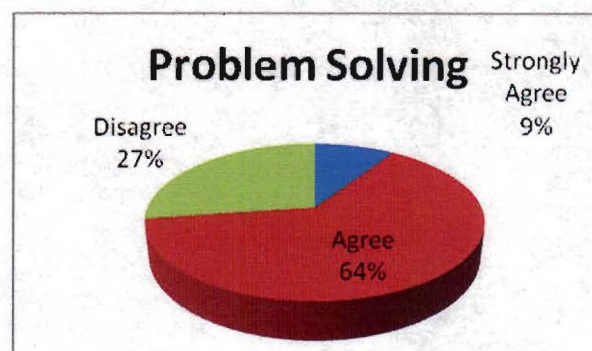
- Question 4: There are policies and rules within the company that have prevented you from assisting customers in a timely manner.



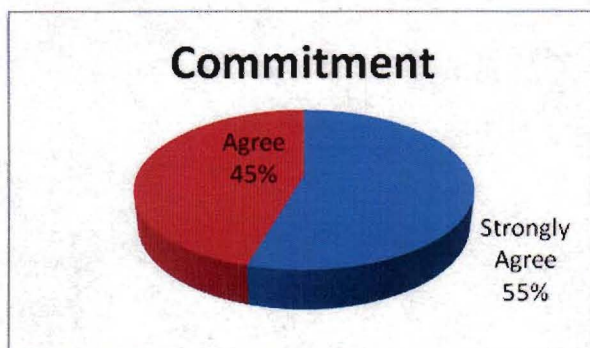
Customer loyalty has been an often suggested and supported consequence of effective service recovery management such as willingness of assisting customer, management supports, guideline, and policies. The effectiveness of these aspects had a strong influence on loyal customers. Referring to results of survey question 1 through 4, ABC Restaurant & Lounge doesn't provide easier guidelines and procedures for its employees. Also, rules and policies have prevented front-line service employees solving problem in timely manner.

Customer Service Skills:

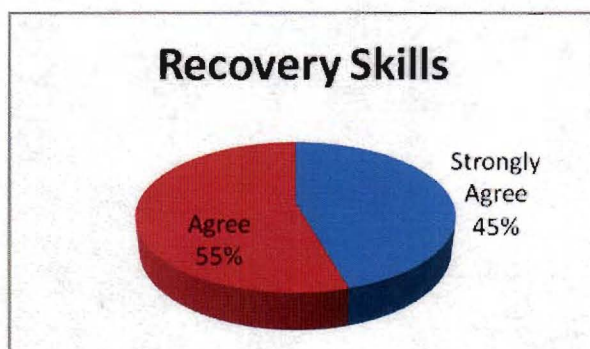
- Question 5: You are able to solve customers' problems without reporting to managers or supervisors.



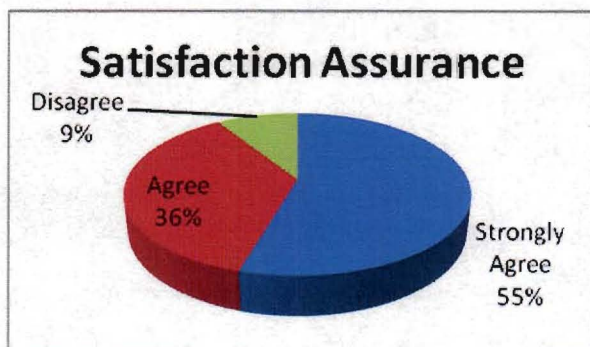
- Question 6: You have a strong commitment to carry out good service practices when service problem are occurred.



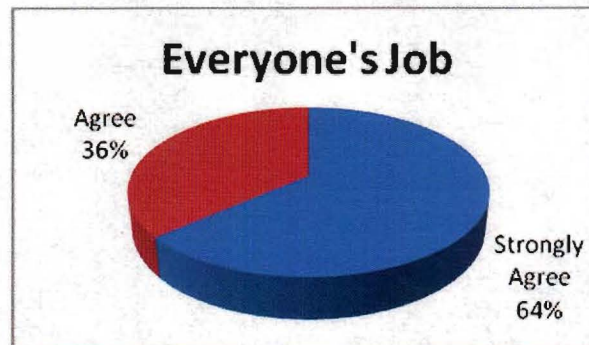
- Question 7: You feel senses of prides and ownership when you are able to use service recovery skill to assist customers with problems.



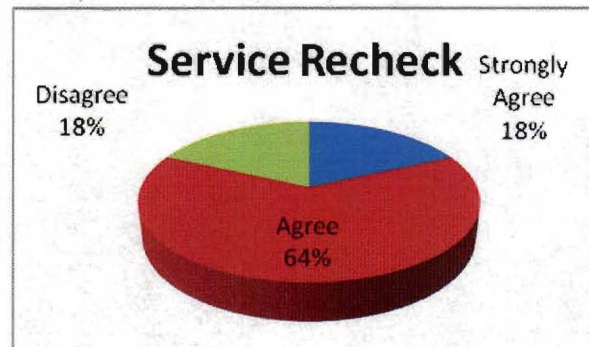
- Question 8: After solving a customer's problem, you will acknowledge to them that this problem will not happen again.



- Question 9: You understand that customer service is everyone's job.

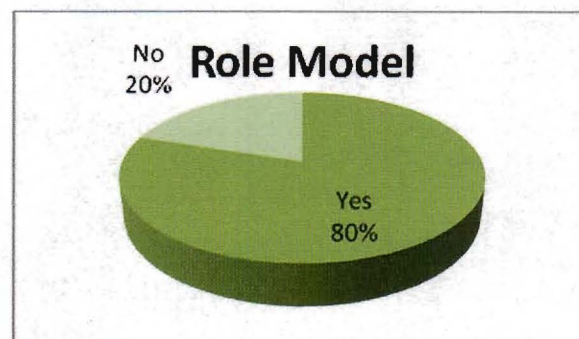


- Question 10: After solving a customer's problem, you always check back at least once or twice to ensure that they are satisfied with the service.

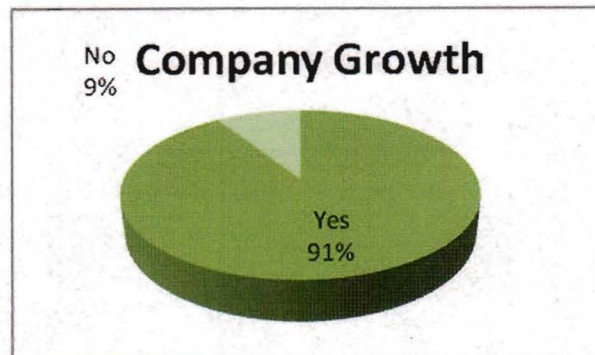


Role Modeling, Reward, and Punishment

- Question 11: Have you ever been recognized as a role model for other employees when you solved a customer's problems successfully?



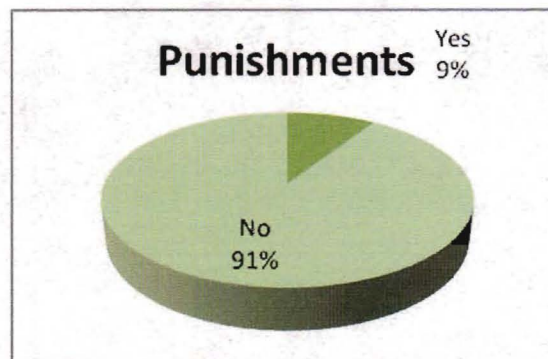
- Question 12: Do you know that your abilities of preventing, detecting, and solving customer problems are crucial to this company's growth?



- Question 13: Are you afraid of making mistakes when solving customer problems?



- Question 14: Are there any punishments if a customer's problems are not solved correctly?



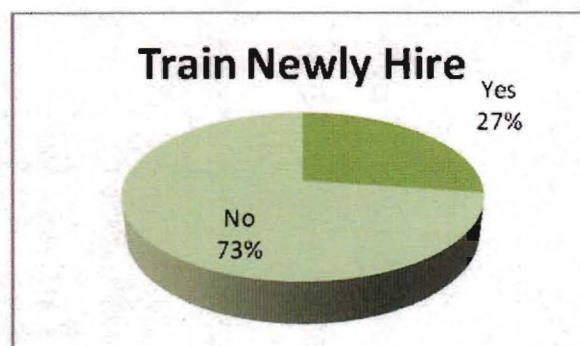
- Question 15: Are there rewards for correctly solving a customer's problems?



Companies constantly seek ways to acknowledge and reward service workers in their customer service production and quality. Referring to the results of survey questions 11 ~ 15, The ABC Restaurant & Lounge doesn't reward employees for exceptional customer service. When employees meet or exceed customers' expectations, neither momentary nor non-monetary rewards were given to encourage front-line service personnel.

Training System

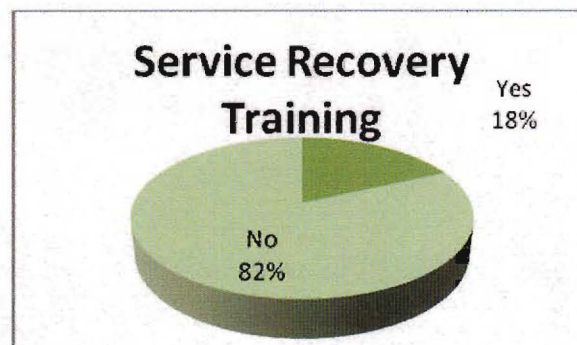
- Question 16: Does your company provide customer service training to newly hire?



- Question 17: Does your company provide customer service training to employees when they change jobs within the company?



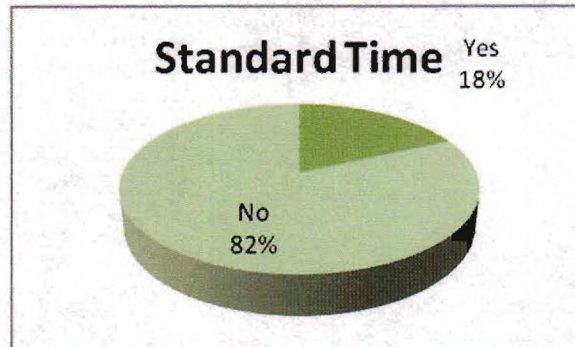
- Question 18: Does the service training inform you about service recovery procedures?



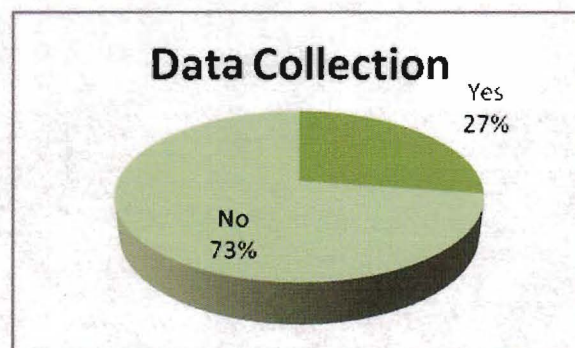
Keeping customers happy has the same bottom line effect as cutting costs. The key to customer satisfaction, loyalty and retention is to consistently deliver a level of customer service that exceeds and even anticipates the customer's expectations for value. To achieve and maintain excellent customer service, a systematic and effective training program will need to be implemented. Referring to the results of survey questions 16 through questions 18, The ABC Restaurant and Lounge doesn't provide new or current employees with proper service training.

Customer Feedback System

- Question 19: Does your company provide clear standards for responding to customers' problems in a timely manner?



- Question 20: If "NO", go to question 21. If YES, what is the standard response time? (Check only one)
 - Less than 5 minutes
 - 5 ~ 10 minutes
 - 10 ~ 15 minutes
 - 15 to 25 minutes
 - More than 25 minutes
- Question 21: Does your company regularly collect data on your customer service performance?



Referring to the results of question 19 to question 23 of survey, obtaining customer feedbacks is a crucial strategy for continuous improvement on service quality. In order to provide the best service possible, companies will need to hear customer's

opinions regarding service quality. By taking a few minutes to fill out a survey, customers can provide valuable information that will help improve services.

Chapter 5

Summary, Conclusion, and Recommendations

Summary

Customer service has a direct influence on customer loyalty. Customer loyalty is the key to an organization's success and profitability. "Service Recovery" is a customer service technique that growing service industries such as restaurants, hotels, airlines, and etc, are now embracing. Service recovery has power to bring customers back to your business. It puts a smile back on a customer's face, even after service failure/failures. "It can take a customer from hell to heaven in 60 seconds or less," (Tschohl, 2005). Service recovery works best when a front-line employee apologizes, fixes a problem and offers something of value before an unhappy customer leaves the premises. (Zemke & Bell, 2000)

After conducting this research at The ABC Restaurant and Lounge, two primary objectives were obtained:

1. Identifying front-line employees' competence in service recovering skills.
2. Developing service recovery training recommendations and guidelines.

Conclusions

Success in service recovery can be achieved through creative opportunities that drive continuous improvement and create exceptionally motivated frontline service employees. In the service industry, understanding service recovery is vital to survival. It is the frontline employees providing service that can either create or damage customer loyalty, along with their sense of value toward the organization.

In addition, exceeding customer expectations in any service industry can not be achieved from top management alone. True service comes from frontline service individuals and it must be provided by and with passionate people. Consistent exceptional service is at the heart of an organization like The ABC Restaurant and Lounge. To achieve exceptional service, every organization must value and nurture the input and desire for success of all employees. This is especially important for frontline employees who have direct contact with customers.

Recommendations

1. *Increase Management and Employee involvement through interdepartmental communication and coordination*

Quality of service is the capability most customers notice first and remember the longest. A service quality improvement plan must encompass the entire organization, from the managerial employees to the front entry level employee. The opportunities to improve service will mostly be found by examining the process and system by which service is provided. These processes generally cross areas of specialty or departmental lines, necessitating interdepartmental communication and coordination.

2. *Clarify Service Standards and Measures*

Respectively, service providers such as the Ritz-Carlton Hotel are committed to customer satisfaction measurement from the hotel amenities to customer services. By clarifying the company's current service standards and measures, The ABC Restaurant and Lounge can provide actual customer satisfaction scores and survey results to help facilitate a customer-specific conversation about service quality.

3. Require Service Recovery Training

It is important for a company to acquire and retain loyal customers. A loyal customer is one who continues to purchase a company's products/services to the exclusion of other competitors. Loyal customers make good business sense. In order to attract and retain loyal customers, frontline service employees need effective customer service recovery training. Regarding handling complaints from customers, management must train front-line service employees about challenges associated with providing quality service.

While handling customer complaints, front-line service employee must put themselves in the customer's shoes and identify common customer complaints and situations when saying no with care is required. They learn best practices for handling these challenging situations and then practice what they've learned during service recovery training sessions.

References

- Boshoff, C. (1997). An Experimental study of service recovery options, *International Journal of Service Industry Management*, 8, 110-130.
- Boshoff, C. & Staude, G. (2003, September). Satisfaction with service recovery: Its measurement and its outcomes, *South African Journal of Business Management*, Sep2003, 34, 9-16. Retrieved April 10, 2006 from Ebsco Host database.
- Bowen, D.E. & Lawler, E.E. (1995). The empowerment of service workers: what, how, and when. *Sloan Management Review*, 12, 73-84.
- Brown, W. (Summer, 2000), Practicing best-in-class service recovery, *Marketing Management*, 9, 8-9.
- Deming W. Edwards (2000). Out of crisis, *The MIT Press Cambridge*, Massachusetts London, England. 23.
- Elswick, J. (February, 2000). Puttin' on the Ritz: Hotel chain touts training to benefit its recruiting and retention, *Employee Benefit News*, 14, 1. Retrieved April 8, 2006, from Ebsco Host database.
- Ely, J. (2007). Legendary Complaint Handling. *Spa Management*; Nov2007, 17, 13, 60-62.
- Evans, J. & Lindsay, W. (2005). The Management and Control of Quality (Sixth Edition). *Thomson South-Western*, Mason, Ohio, United States.
- Fitzsimmons, J. A. & Fitzsimmons, M. J. (2004). Service management: Operations, strategy, and information technology (Fourth Edition). Irwin McGraw-Hill. New York, NY.
- Friedman, N. (Nov/Dec 2002). Seven steps to service recovery. *Office Pro*, Vol. 62, 4.

- John Tschohl, (April 6, 2005.). Service recovery –Use it and you will have customer who are loyal for life Retrieved April 3, 2006, from http://www.customer-service.com/articles/service_recovery.aspx
- Johnston, R. & Fern, A. (1999). "Service recovery strategies for single and double deviation scenarios." *Service Industries Journal*, Vol. 19 Issue 2, p69-82, 14p. Retrieved April 3, 2006, from Ebsco Host database.
- Lewis, B.R. & Chacher, E. (2001), "Service failure and recovery in UK theme parks: the employee's perspective", *International Journal of Contemporary Hospitality Management*, Vol. 13 No 4, pp. 166-75.
- Ross, J. (1995). *Total Quality Management: text, cases and reading* (Second edition). St. Lucie Press, Delray Beach, Florida, United States.
- Schoefer, K. & Ennew, C. (2005). The impact of perceived justice on consumers' emotional responses to service compliant experiences. *Service Marketing: Service recovery and service continuity*, Vol 9 (Number 5), pp. 261.
- Smith, R.A. & Huston, M.J. 1983. "Script-based evaluation of satisfaction with service". In: Berry, L.L., Shostack, G.L. & Upah, G.D. (Eds.). 'Emerging perspectives on service marketing.' Chicago, Illinois: American Marketing Association, Proceeding Series: 59-62.
- Stoller, G. (2005). Companies give front-line employees more power. *US Today* (June 27, 2005). Retrieved April 10, 2006, from Ebsco Host database.

- Tax, S. & Brown, W. (2000), Service recovery: research insights and practices in Swarts, T. and Iacobucci, D. (Eds), *Handbook of Service marketing and management*, Sage, Thousand Oaks, CA, 271-86.
- Tax, S. & Brown, W. (Fall, 1998). Recovering and learning from service failure, *Sloan Management Review*, 1998, 75-87.
- Tschol, J. (2005). What is service recovery – why do you need it. Retrieved April 3, 2006, from http://www.customer-service.com/articles/service_recovery120605.aspx
- Welsch, B. (2005), Employee training includes empowerment, *Air Conditioning Heating & Refrigeration News*, 224, 35-35
- Zeithaml, V. A. & Bitner, M. J. (2003). Service marketing (Third Edition.). *Irwin McGraw-Hill Higher Education*. New York, NY. United States.
- Zemke, R. & Bell, C.R. (2000). Knock your socks off service recovery. Amazon.com, Books.
- Zemke, R. & Bell, C.R. (1990). Service recovery, training, 27, 42-48.